

Message Text

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ORIGIN ARA-20

INFO OCT-01 EB-11 ISO-00 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 /117 R

DRAFTED BY ARA/EP/E:KGUTHRIE

APPROVED BY ARA/EP/SMPRINGLE

EB/OF/FPD:RSSIMPSON (DRAFT)

USDA/FAS:RSPENCER (DRAFT)

----- 119203

R 102238Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY QUITO

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E.O.11652: N/A

TAGS: ETRD, EAGR, EC, PE, US

SUBJ: CCC CREDIT FOR PERU: INQUIRY BY ECUADOREAN AMBASSADOR

1. THE DEPARTMENT OF AGRICULTURE ON MAY 6 ISSUED A NOTICE TO EXPORTERS THAT A DOLS. 15 MILLION LINE OF CCC CREDIT FOR WHEAT HAS BEEN ESTABLISHED FOR PERU. THIS FINANCING APPLIES ONLY TO THOSE SALES MADE SEVEN DAYS AFTER THE DATE OF THE USDA ANNOUNCEMENT AND IS EFFECTIVE THROUGH OCTOBER 31, 1974. THE CREDIT PERIOD IS THIRTY-SIX MONTHS WITH EQUAL ANNUAL PAYMENTS OF PRINCIPAL PLUS ACCRUED INTEREST. THE GUARANTOR IS THE PERUVIAN BANCO DE LA NACION. THE RATE OF INTEREST WILL BE THAT SPECIFIED IN THE FINANCING APPROVALS ISSUED BY THE DEPARTMENT OF AGRICULTURE. CURRENT RATES ARE 9 1/2 PERCENT FOR U.S. BANK OBLIGATIONS AND 10 1/2 PERCENT FOR FOREIGN BANK OBLIGATIONS.

2. FOLLOWING IS GUIDANCE PREPARED FOR USE BY DEPARTMENT SPOKESMAN IN EVENT OF PRESS INQUIRIES ABOUT CREDIT:

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QUESTION: WHY DID THE DEPARTMENT OF AGRICULTURE ISSUE A

LINE OF CCC CREDIT TO PERU FOR WHEAT? ISN'T THE CCC PROGRAM SUSPENDED BECAUSE WE ARE SHORT OF WHEAT?

SUGGESTED REPLY: PERU HAS BEEN A TRADITIONAL AND VALUED CUSTOMER FOR U.S. CEREALS, PARTICULARLY WHEAT. THE U.S. HAS MAINTAINED ITS POSITION AS PERU'S MAJOR SUPPLIER OF

CEREALS IN RECENT YEARS LARGELY THROUGH THE CCC PROGRAM. THE LAST LINE OF CCC CREDIT FOR PERU WAS FOR DOLS. 80 MILLION. THIS LINE OF CREDIT EXPIRED ON JUNE 30, 1973 AND WAS FULLY UTILIZED FOR THE PURCHASE OF GRAINS AND VEGETABLE OIL. UNTIL RECENTLY WE WERE NOT IN A POSITION TO RENEW PERU'S LINE OF CREDIT. HOWEVER, U.S. WHEAT SUPPLIES WILL EASE IN A FEW WEEKS AS A RECORD WINTER WHEAT HARVEST BEGINS.

QUESTION: WHY DID YOU OFFER THE CREDIT AT THIS TIME?

SUGGESTED REPLY: OVER THE LAST YEAR, PERUVIAN OFFICIALS HAVE REPEATEDLY STATED THEIR INTEREST IN REGAINING ACCESS TO CCC CREDIT AT THE EARLIEST POSSIBLE DATE. APPARENTLY PERUVIAN WHEAT STOCKS ARE SUFFICIENT FOR THE FIRST HALF OF 1974, BUT PERU IS SEEKING ABOUT 100,000 METRIC TONS OF WHEAT AND ADDITIONAL AMOUNTS OF FEED GRAINS FOR DELIVERY IN THE JULY-DECEMBER 1974 PERIOD. PERU GENERALLY PURCHASES HARD RED WHEAT FROM THE U.S., AND THE NEW CROP HARVEST FOR THIS TYPE OF WHEAT BEGINS IN MAY. SINCE WE WILL HAVE SOME WHEAT FOR EXPORT IN THE PERIOD OF INTEREST TO PERU, AND SINCE WE SEEK TO PRESERVE OUR POSITION IN THE PERUVIAN MARKET IN THE FACE OF ACTIVE COMPETITION FROM OTHER WHEAT SUPPLIERS, WE HAVE DECIDED TO OFFER THIS NEW CREDIT LINE WHICH COVERS 100,000 TONS OF WHEAT.

3. AMBASSADOR QUEVEDO TELEPHONED DEPARTMENT (ARA/EP) MAY 7 TO INQUIRE WHETHER EXTENSION OF CREDIT TO PERU SIGNIFIED THAT GOE MIGHT EXPECT FAVORABLE RESPONSE IN EVENT IT SUBMITTED NEW REQUEST FOR CCC CREDIT TO PURCHASE WHEAT.

4. DEPARTMENT OFFICER SUBSEQUENTLY BRIEFED QUEVEDO ON LIMITED OFFICIAL USE

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PERU CREDIT IN ACCORDANCE WITH GUIDANCE SET FORTH PARA 2. WITH REGARD TO POSSIBLE GOE CREDIT REQUEST, DEPARTMENT OFFICER STATED THAT ALTHOUGH SOME IMPROVEMENT IN WHEAT AVAILABILITY APPEARS LIKELY, SUPPLY SITUATION WILL REMAIN TIGHT BECAUSE OF HEAVY WORLD DEMAND. IN EVENT FURTHER CCC CREDITS WERE MADE, WE ANTICIPATED THAT FIRST PRIORITY WOULD HAVE TO BE GIVEN TO COUNTRIES WHICH HAVE BEEN MAJOR TRADITIONAL USERS OF CCC CREDITS.

FYI. TOTAL ECUADOREAN PURCHASES OF U.S. AGRICULTURAL
COMMODITIES UNDER CCC FINANCING SINCE INCEPTION OF PROGRAM
AMOUNT TO JUST OVER DOLS. 3 MILLION. RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, CREDIT AUTHORIZATIONS, CREDIT AGREEMENTS, PRESS RELEASES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: KGUTHRIE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Review Content Flags:
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30 JUN 2005

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To: QUITO
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